GENERAL PRINCIPLES OF NORDIC REGION CLEARING & SETTLEMENT PURSUANT TO ARTICLE 77(2) OF THE CACM REGULATION

Scope & Interpretation

1. This document contains the high level principles applicable to all cross-border clearing & settlement arrangements made pursuant to article 77(2) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (the **"CACM Regulation"**) which are applicable either:

    a. within the Nordic region (being for these purposes Denmark, Finland, Norway and Sweden); or

    b. between any one or more countries within the Nordic region and any other country or region which is also subject to the CACM Regulation,

    (hereafter referred to as a "CSA").

2. *[All capitalised terms in this document shall, unless otherwise herein defined, have the meaning attributed to them in the CACM Regulation.]*

General

3. A CSA shall comply with the requirements of Article 68 of the CACM Regulation.

4. A CSA should clearly identify the rights and the obligations that the CCP parties must fulfil as well as the tasks to be performed by such CCPs. These obligations and tasks should apply to the CCPs irrespective whether they operate also as the relevant NEMO for the bidding areas/trading hubs being cleared and settled or have been delegated by such NEMO to provide clearing & settlement services with respect to such bidding zone/trading hubs.

5. The scope of a CSA may encompass both day-ahead and intraday timeframes or, conversely, may be limited to one timeframe only.

6. Each CSA between CCPs should ideally cover the clearing & settlement operations both between and within all bidding zones and trading hubs where the CCPs are responsible for clearing and settlement. The CSA should foresee clauses to permit the inclusion of additional bidding zones (interconnectors) and/or trading hubs by means of a change request procedure.

7. A CSA should ensure the CCPs' cooperation, which as a minimum should require the CCPs to:
    a. cooperate actively with a view to realising the scope of the agreement as well as their respective individual obligations in compliance at all times with applicable European and national competition laws; and
    b. exercise their rights and obligations under the agreement in good faith and adopt a fair and loyal treatment towards each other.

8. A CSA should require that the CCP parties accept towards each other obligations to set up and maintain between them the required technical interfaces and technical and operational infrastructure for the performance of cross-clearing in the following areas:
    a. Physical settlement
    b. Financial settlement
    c. Invoicing
    d. Management of the bilateral counterparty risk, including posting of collaterals to each other
    e. Operational and back-up procedures

9. If a CCP is a delegated CCP (i.e. it provides clearing services for a third-party NEMO), the CSA should also require such CCP to set up all required technical connections with such NEMO.

10. Under the terms of the CSA the CCP parties should undertake to maintain such Balance Responsible Party Agreements (BRPA) with the relevant TSOs and/or Balancing Service Providers (as the case may be) as may be required for them to perform their physical settlement (i.e. delivery) obligations.

11. As requested by the respective Nordic NRAs' guidance CCPs will not charge each other any fees (including but not limited to membership fees, trading and/or clearing fees) or seek to pass through any other costs or charges (other than the applicable cost with respect to the volumes of energy bought/sold plus VAT) in connection with the cross-border and/or inter-NEMO hub physical and financial clearing and settlement activities.

12. With respect to any joint service providers retained by the CCP parties (e.g. a settlement bank, credit and/or collateral facilities), such costs should be shared in proportion to the benefit of such services provided to each CCP.

13. A CSA should ensure that the CCPs exchange the necessary information, both initially and periodically throughout the duration of the CSA, on their respective operations to allow for appropriate risk assessments to be undertaken.

14. A CSA should ensure that the communication between the CCPs is timely, reliable and secure.

15. A CSA should indicate the process and persons responsible for the monitoring and functioning of the cross-clearing arrangements.

16. A CSA should foresee a process to inform the CCPs where one CCP makes changes to its operational setup (incl. for example changes to a CCP´s payment cycle or collateral methodology) that impacts upon the arrangements agreed under the CSA.

Clearing Transactions

17. Each clearing transaction should commit irrevocably each CCP party to sell and deliver to, or to purchase and accept delivery (as appropriate) of the relevant volume of electricity transferred over the relevant bidding zone border (or between NEMO trading hubs) at the applicable price plus VAT in accordance with the respective market coupling results.

18. The CCPs' obligations with respect to clearing transactions will not be affected, by any interconnector operator or TSO refusing, reducing or cancelling the relevant cross-border nominations.

Physical Settlement

19. Physical settlement between CCPs must be consistent with the relevant market coupling results and clearing transactions plus such other specific processes as may be agreed from time to time between the CCPs and the relevant TSOs, Balancing Service Providers and/or Interconnector Operators.

20. To effect physical settlement each CCP must submit the required local and/or cross-border nominations to the relevant TSO/ Balancing Service Provider/Interconnector Operator. Intraday clearing transactions may be subject to different procedures depending on whether the Preferred Shipper Methodology applies to the entire transmission route or to part only of the transmission route.

21. No curtailment or cancellation of a local or cross-border nomination in accordance with the relevant Balance Responsible Party Agreement due to Force Majeure or a threat to security of supply should be construed as a breach of the contractual obligations of a CCP with regards to physical settlement.

22. If there is a mismatch between a CCP's physical nominations and relevant market coupling results, the CCP whose nomination deviates from the market coupling results should indemnify the other CCP for imbalance penalties or charges incurred as a result. Such obligation to indemnify should not be subject any limitation or cap. The same applies in case of commercial benefits (e.g. in case of surplus of energy; which should be paid out accordingly.

23. Each CCP must perform physical settlement processes in accordance with the agreements that each CCP has concluded with the relevant TSOs.

Financial Settlement

24. In order to enable financial settlement, the CCPs may decide to conclude an appropriate banking arrangement with a mutually agreed Settlement Bank.

25. Where a Settlement Bank is appointed, each CCP should ensure at all times their respective Settlement Account(s) is sufficiently funded for the purposes of financial settlement.

26. Payments between the CCPs should be netted where possible to achieve most efficient setups and to minimise legal/counterparty risks.

27. With regards to due payments the payment cycle of the beneficiary CCP shall apply, if not agreed otherwise between the parties.

28. To support the accurate calculation and the verification of clearing payments by the Settlement Bank, the CCPs should provide regular reports to each other and the Settlement Bank.

    In any case where the CCPs have different settlement cycles, the CCPs may consider appointing an entity to handle such discrepancies (e.g. a mutually agreed Settlement Bank), and ensure that transparent and accurate payments are made.

29. If deemed appropriate the CCP parties could agree that only one party issues invoices and credit notes.

Counterparty Risk

30. Each CCP will provide collateral towards the other in accordance with the terms and rules of the beneficiary CCP. Possible ways of collateralisation could be cash on a bank account of the beneficiary CCP, via a bank guarantee, a letter of credit, pledge account to the benefit of the beneficiary CCP or a combination of the above.

31. The amount of collateral to be provided by one CCP to the other shall be determined in accordance with the methodology of the beneficiary CCP. The methodology for calculation of required collateral of the beneficiary CCP shall be applied in a transparent and non-discriminatory manner.

32. Neither CCP should be obliged to make contributions to the default fund or any other fund of the other CCP which is utilised for defaults of third parties.

33. The CSA should foresee rules in case of default and of Force Majeure of the other party (e.g. suspension of contractual obligations / utilization of collaterals / termination).

Costs

34. As a general rule, each CCP should bear its own costs. In the event that the parties retain a shared service provider (e.g. to a settlement bank, as described in paragraph 12), these costs could be shared between the parties proportionally to the services received by each party from the common service provider.

Duration & Change Process of the CSA / Further terms

35. The CSA should be concluded for an indefinite term subject to appropriate cancellation mechanics.

36. A CSA should have a regular review mechanic as well as an agreed amendments process including changes required by law or regulation.

37. In addition, the CSA will have standard (boilerplate) legal provisions like liability, force majeure, confidentiality, sub-contracting and/or transfer, underlying jurisdiction and dispute resolution.

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